

D.T.E. 98-32

Investigation by the Department of Telecommunications and Energy upon its own motion commencing a Notice of Inquiry pursuant to 220 C.M.R. §§ 2.00 et seq. into the unbundling of all natural gas local distribution companies' services.

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ORDER COMMENCING NOTICE OF INQUIRY ("NOI") AND SEEKING COMMENTSI. INTRODUCTION

On July 18, 1997, the Department of Public Utilities, now named the Department of Telecommunications and Energy ("Department"), directed the ten investor-owned natural gas local distribution companies ("LDCs") to initiate an industry-wide collaborative process to develop a common set of principles for the comprehensive unbundling of the Commonwealth's natural gas industry. In response to the Department's directive, nine LDCs formed the Massachusetts Gas Unbundling Collaborative ("Collaborative"). The tenth LDC, Bay State Gas Company, participated in the collaborative as a stakeholder, while continuing its own initiative to produce a company-specific unbundling filing in the forum of the Bay State Collaborative.<sup>1</sup> Participants in the Collaborative include marketers of natural gas and services, customer groups, government agencies, the Department and LDCs.

II. STATUS OF COLLABORATIVE

On November 21, 1997, the Collaborative submitted to the Department an Interim Status Report, setting forth both the process and the progress of the Collaborative. The Collaborative designated two categories of issues, denoted as Track 1 and Track 2. Track 1 has focused on operational issues, including capacity disposition, the development of model terms and conditions, rate unbundling, interruptible transportation and default service. Track 2 focused on consumer issues, including enrollment and billing, information exchange, consumer protection, low-income

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<sup>1</sup>The Bay State Collaborative commenced in April 1997, and concluded in February 1998, when Bay State determined that the stakeholders would be unable to reach a comprehensive settlement.

service, and supplier qualifications.

On March 18, 1998, the Collaborative submitted a Status Report ("Report") to the Department on the progress of discussions. According to the Report, the Collaborative participants have made substantial progress in the areas of rate unbundling and terms and conditions, but have been unable to achieve a consensus on at least two key policy issues, capacity disposition and cost responsibility (Report at 4). The Collaborative, therefore, is seeking Department guidance on these issues.

### III. NOTICE OF INQUIRY

In order to address the issues raised in the Report, and to foster the transition to a more competitive natural gas industry in Massachusetts, the Department hereby opens a notice of inquiry, which will be docketed as D.T.E. 98-32. While the proceeding will encompass all issues related to the restructuring of local gas distribution companies, it initially will focus on issues pertaining to (1) capacity disposition, including both upstream and downstream capacity and (2) cost responsibility. These are the issues for which the Collaborative participants have specifically sought guidance. The Department acknowledges that the participants in the Collaborative suggest that settlement of rate unbundling issues and most terms and conditions is imminent and would welcome such settlement. However, the Department is prepared to address any remaining unresolved issues related to the transition from traditional regulated service to a competitive market in this NOI.

To allow all viewpoints to be heard, the Department will adopt the following procedure. First, initial written comment in response to this NOI should be filed with the Department by April

24, 1998. In these comments parties should address the merits and limitations of the voluntary assignment of capacity, the mandatory assignment of capacity, and the portfolio auction proposed by the LDCs, and indicate how each proposal provides for the development of a competitive gas retail market. In addition, parties should specifically indicate whether competitive benefits in each proposal derive from avoidance of past commitments or from savings due to forward looking efficiencies. The Department may issue further detailed discovery on these issues during the coming week. One original and 15 copies of all comments should be filed with Mary Cottrell, Secretary of the Department. In addition, parties should submit an electronic copy of all comments to be posted on the Department's web page. On April 28, 1998, the Department will conduct a procedural conference at its offices to establish the orderly conduct of the remainder of the proceeding. Participants in the procedural conference should be prepared to discuss the Department's proposed procedural schedule that is designated as Appendix A to this Order.

IV. ORDER

Accordingly, the Department hereby

VOTES: To open an inquiry regarding the unbundling of services offered by local gas distribution companies; and it is

ORDERED: That within seven days of the date of this Order, the Secretary of the Department shall publish the accompanying notice in all statewide and regional newspapers of daily circulation within the Commonwealth; and it is

FURTHER ORDERED: That within seven days of this Order the Secretary of the Department shall serve a copy of this Order on the Service List of the Massachusetts Unbundling Collaborative.

By Order of the Department,

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Janet Gail Besser, Chair

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John D. Patrone, Commissioner

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

APPENDIX A

PROCEDURAL SCHEDULE

April 3, 1998	Order Opening Investigation
April 24, 1998	Written Comments Due
April 28, 1998	Procedural Conference
May 11-20, 1998	Department Hearings
June 1, 1998	Final Comments Due